



Technical Note
Gross Domestic Product
Fourth Quarter of 2014 (Second Estimate)
February 27, 2015

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the fourth quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

Real GDP increased 2.2 percent (annual rate) in the fourth quarter, a downward revision of 0.4 percentage point from the advance estimate. The downward revision to the percent change in real GDP is smaller than the average revision of 0.5 percentage point from the advance to second estimate. The revision reflected a downward revision to private inventory investment and an upward revision to imports that were partly offset by upward revisions to nonresidential fixed investment and to state and local government spending.

- The downward revision to inventory investment primarily reflected downward revisions to wholesale trade industries and to nondurable goods manufacturing industries, based on newly available Census Bureau inventory data for December and revised data for November.
- The upward revision to imports was mainly to goods and reflected newly available Census data for December that replaced BEA assumptions and revised data for November.
- The upward revision to nonresidential fixed investment primarily reflected upward revisions to investment in intellectual property products, mainly research and development (R&D), and in equipment. The revision to R&D reflected the incorporation of company financial statement data. The revision to equipment was widespread with the largest contributors being information processing equipment and transportation equipment, based on newly available Census imports and exports data for December and revised data for November.
- The upward revision to state and local government spending reflected newly available Census construction spending data for December and revised data for November and October.
- Also of note, a small downward revision to consumer spending reflected a downward revision to spending on goods that was mostly offset by an upward revision to spending on services. The revisions reflected newly available trade source data on vehicle registrations; revised Census retail sales data; newly available Energy Information Administration motor vehicle fuels, electricity, and natural gas data; and revised Bureau of Labor Statistics (BLS) seasonally adjusted consumer price indexes used for deflation.

The price index for gross domestic purchases decreased 0.1 percent in the fourth quarter, an upward revision of 0.2 percentage point. The major contributors to the revision were an upward revision to PCE prices for financial services that reflected the incorporation of newly available fourth-quarter commercial bank Call Report data and revised BLS seasonally adjusted consumer price indexes.

Revisions to Wages and Salaries, Disposable Personal Income, and GDI

In addition to presenting revised estimates for the fourth quarter, today's release presents revised estimates of third-quarter wages and salaries, personal taxes, and contributions for government social insurance. Wages and salaries are now estimated to have increased \$87.2 billion in the third quarter of 2014, an upward revision of \$20.5 billion. These estimates reflect newly available wage and salary tabulations for the third quarter from the BLS quarterly census of employment and wages (QCEW). These data are more comprehensive than the monthly employment and earnings data that were used for the earlier estimates—the QCEW data include irregular pay, such as bonuses and gains from the exercise of stock options.

Real disposable personal income is now estimated to have increased 2.4 percent (annual rate) in the third quarter and increased 3.8 percent in the fourth. (By comparison, the estimates that were available last month showed an increase of 2.0 percent in the third quarter and an increase of 3.8 percent in the fourth.)

The revision to third-quarter wages and salaries also resulted in a revision to gross domestic income (GDI). Real GDI is now estimated to have increased 5.2 percent in the third quarter, an upward revision of 0.5 percentage point. The estimate of real GDI for the fourth quarter will be available with the third GDP estimate on March 27.

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